



***IDAHO STATE TREASURER'S OFFICE
LGIP & DBF 4TH QUARTER 2011***

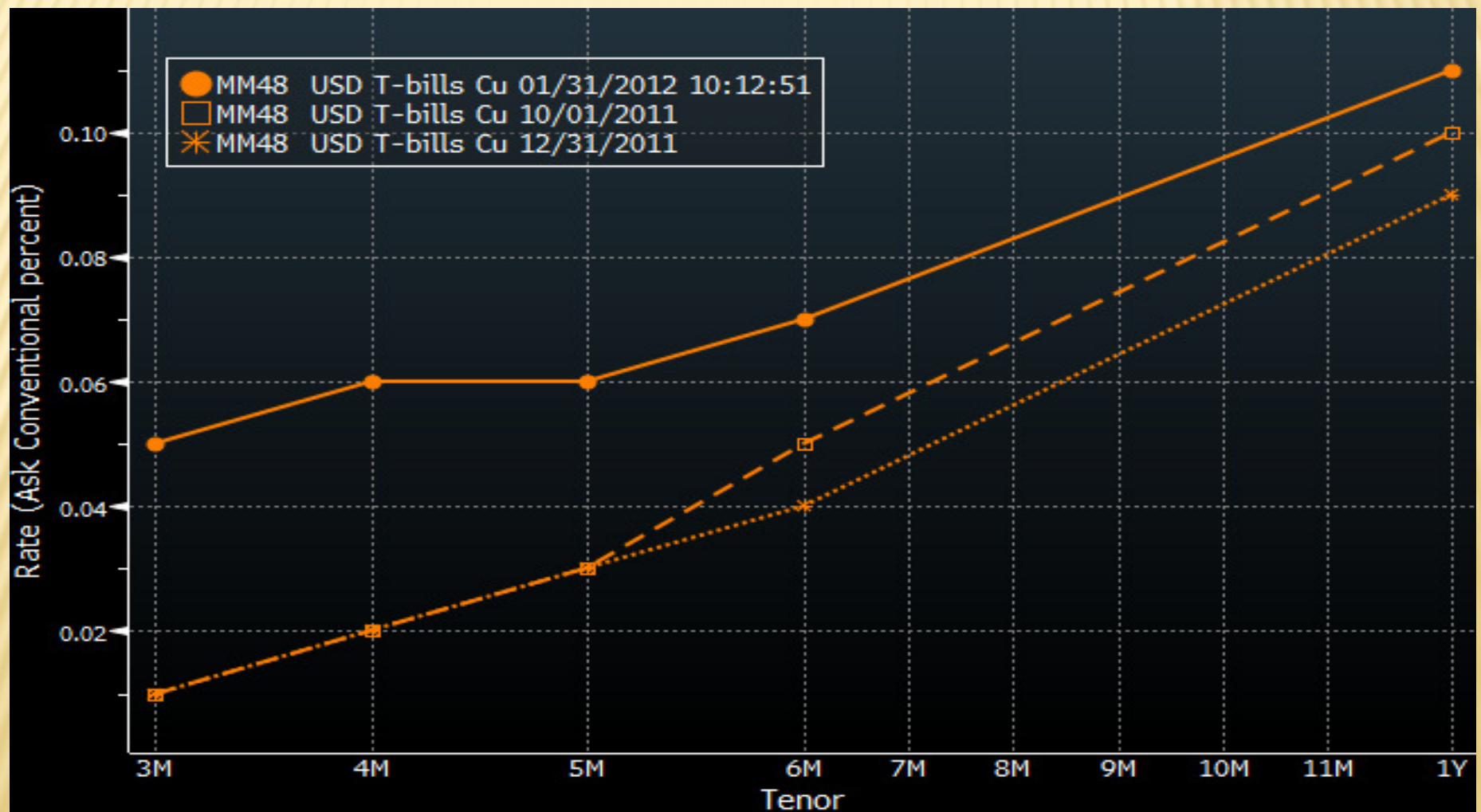
LOCAL GOVERNMENT INVESTMENT POOL

SHORT-TERM INTEREST RATES

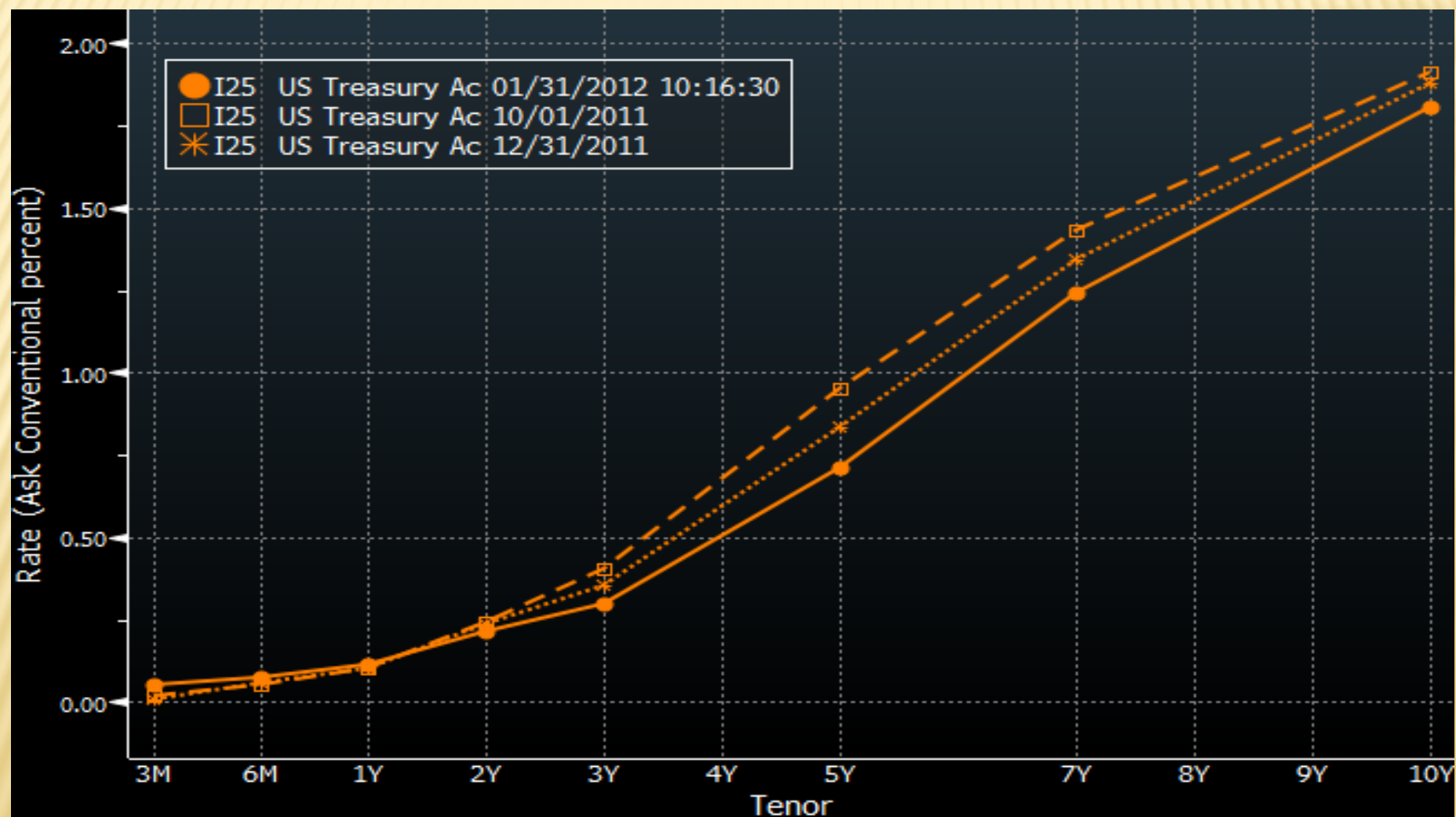
- ❖ Change in T-Bill rates over the 4th Quarter
 - ❖ 3-month: +2.0 bps
 - ❖ 6-month: +1.0 bps
 - ❖ 1-year: +0.5 bps
- ❖ Current Rates as of 1/31/12:

Term	T-Bills	Agency Disco's
3-Month	0.053%	0.07%
6-Month	0.079%	0.09%
1-Year	0.109%	0.11%

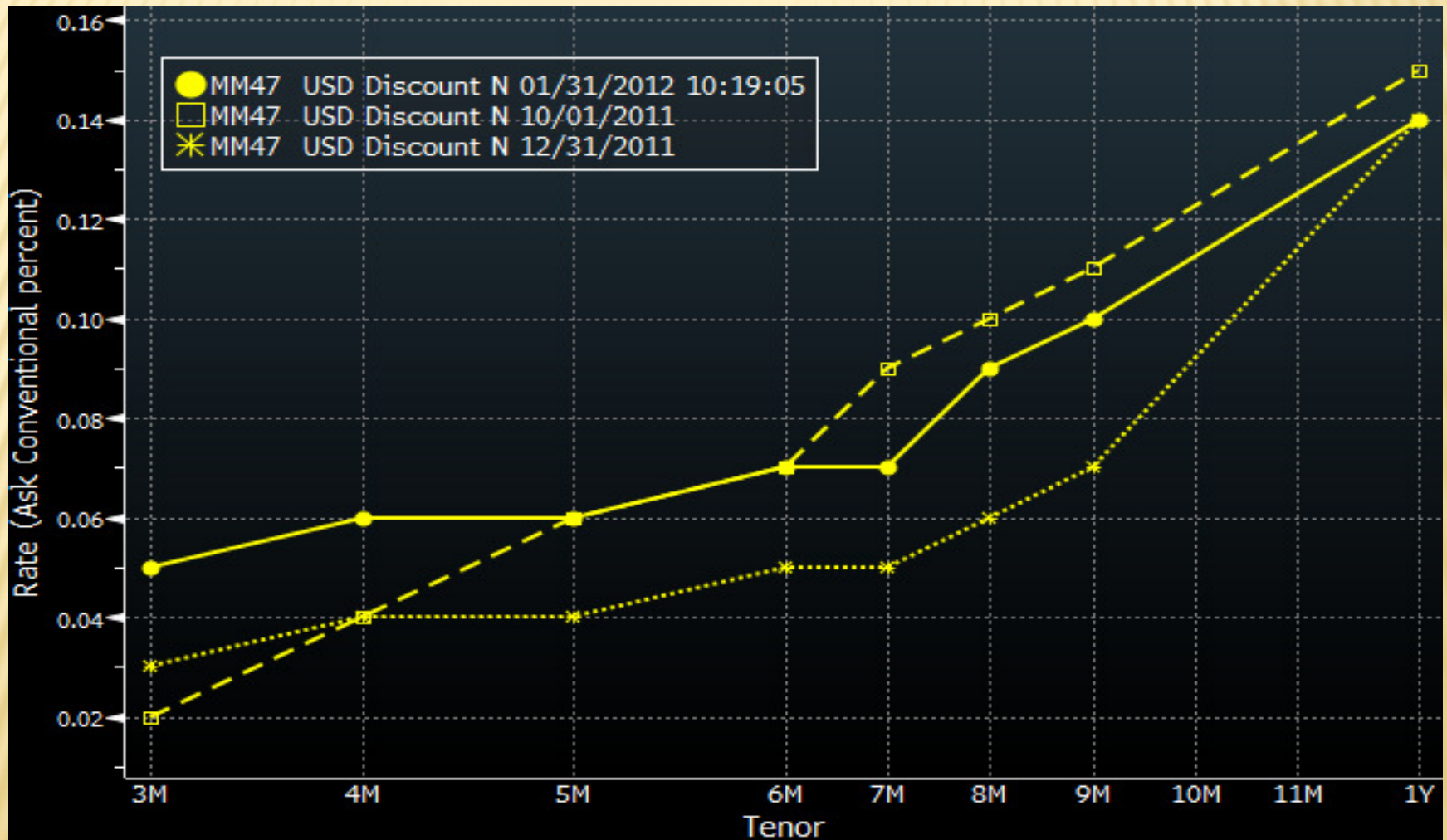
4TH QTR. CHANGE IN THE SHORT END



4TH QTR. CHANGE ACROSS CURVE



4TH QTR. CHANGE IN DISCO'S



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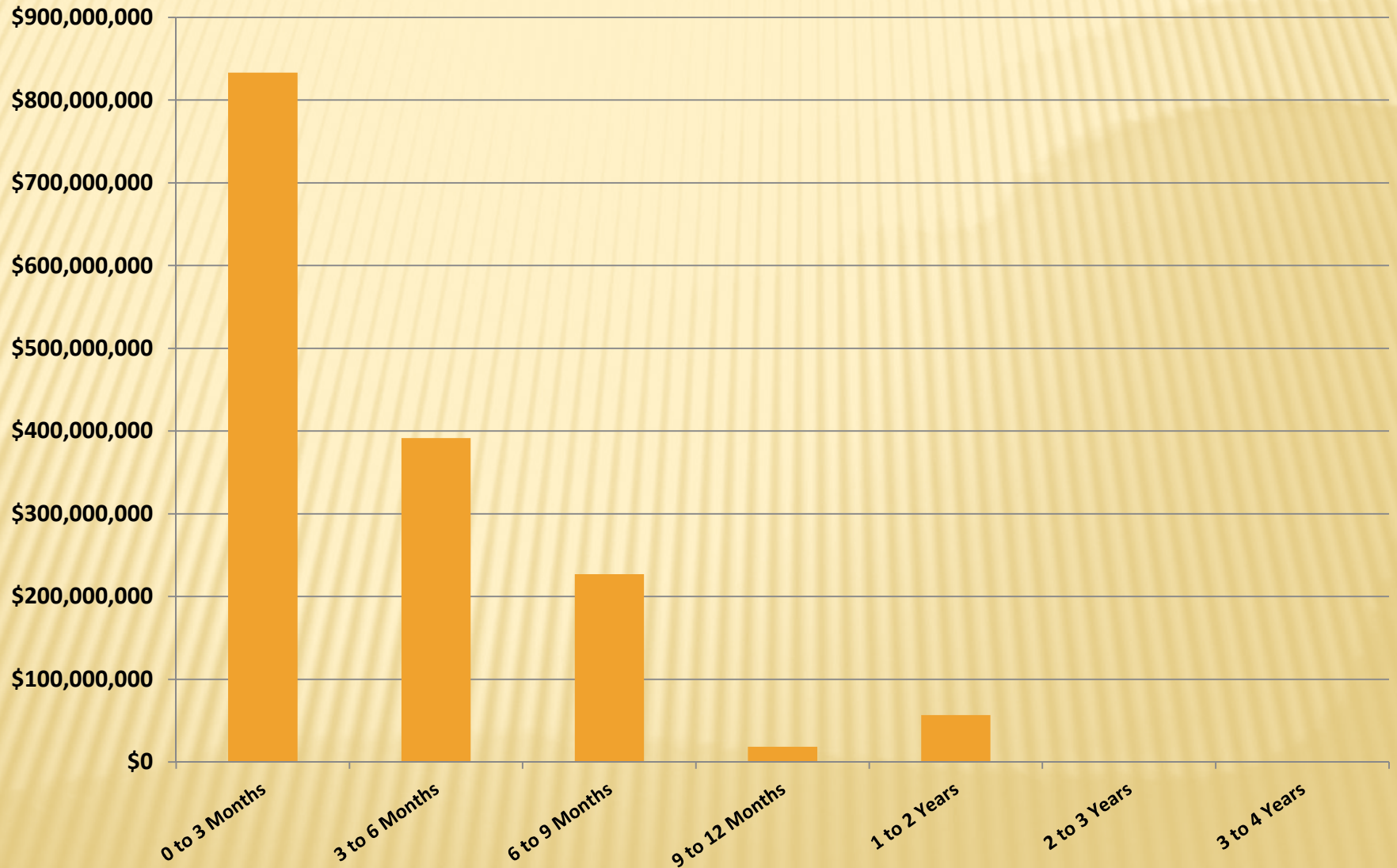
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LGIP ATTRIBUTES

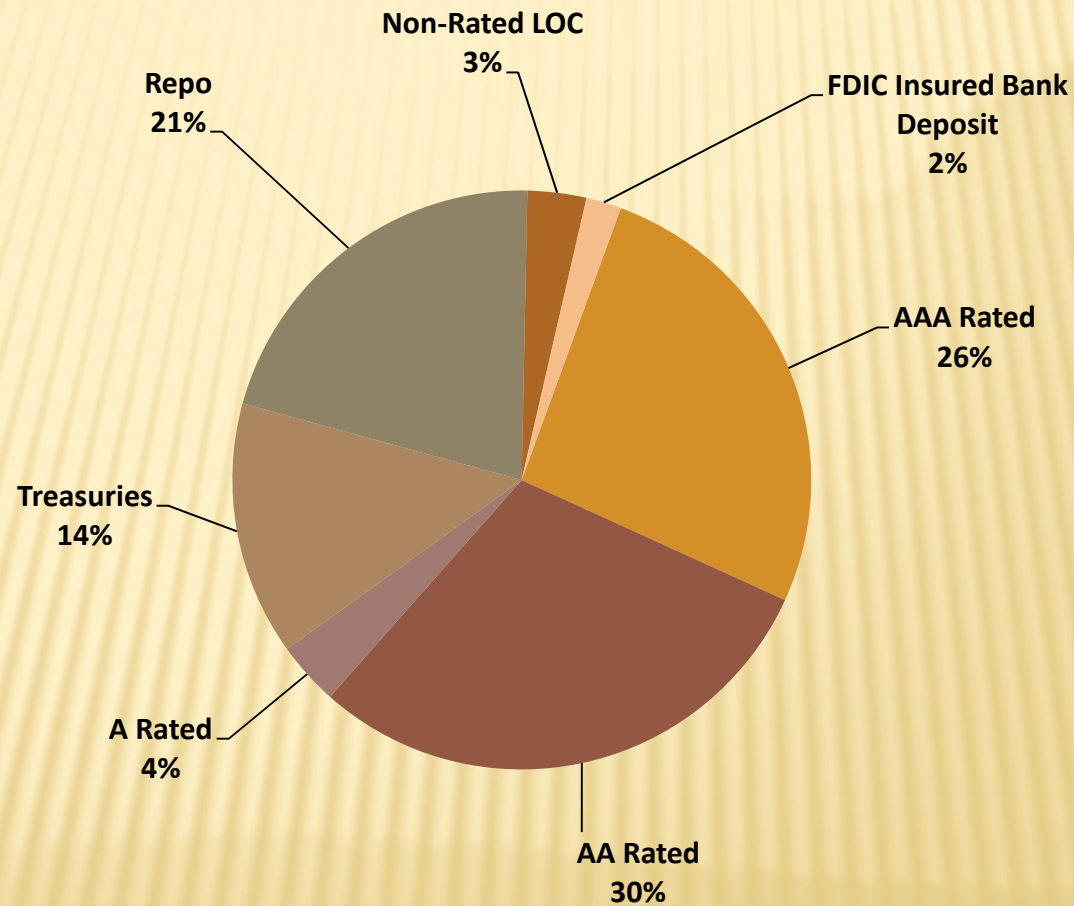
As of December 31st, 2011

	LGIP	90 DAY CONSTANT MATURITY
Yield to Maturity	0.20%	0.02%
Weighted Average Maturity	85 days	90 days
Effective Duration	0.23 years	0.25 years
Amortized Book Value	\$1,520,594,734.35	
Market Value	\$1,524,213,904.33	
Net Asset Value	1.00238	

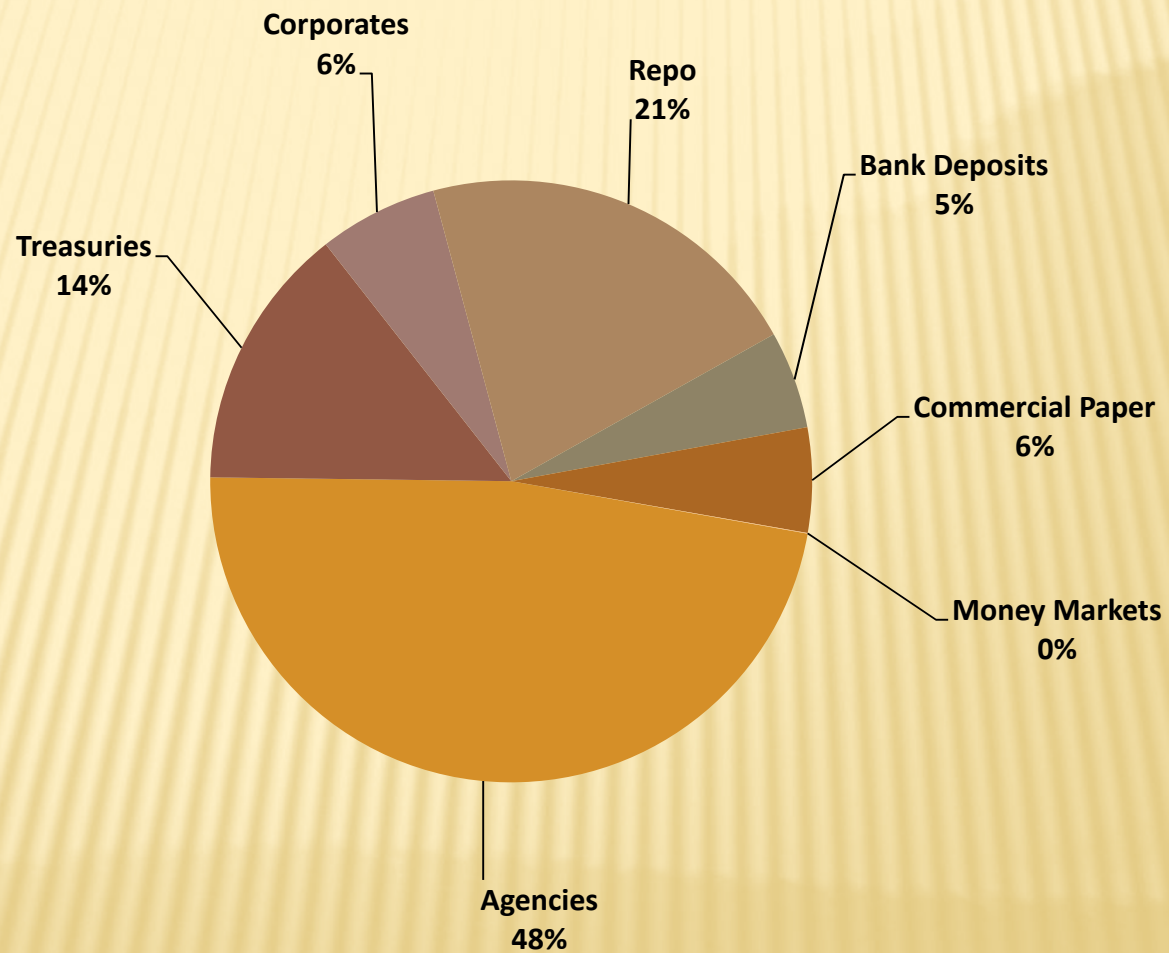
LGIP DURATION DISTRIBUTION



LGIP QUALITY DISTRIBUTION



LGIP SECTOR DISTRIBUTION



STRATEGY DURING 4TH QTR.

- ❖ Moved away from issuer's of commercial paper with exposure to Portugal, Ireland, Italy, Greece, and Spain (P.I.I.G.S.)
 - ❖ Not enough progress made by European Union Finance Ministers to agree upon terms of bailout fund and Greek debt refinancing terms
- ❖ Able to add Daiwa Capital Markets to approved brokers for Repurchase Agreements
 - ❖ Invested in O/N & Term repo with Daiwa
- ❖ Continued to invest in government only money market funds
 - ❖ Maintained minimum exposure when we were able to pick up yield in O/N Repo
- ❖ Weighted average maturity ended quarter lower due to \$386+ million of county tax moneys
 - ❖ Maintaining WAM target of 120 days

STRATEGY DURING 1ST QTR.

- ❖ Look to add Royal Bank of Scotland, Royal Bank of Canada, and Jefferies to approved brokers for Repurchase Agreements
- ❖ Look to take advantage of opportunities in Treasuries and Agencies in late 2012 and early 2013
 - ❖ Comfortable with FOMC on hold till late 2014
- ❖ Favor strong industrial, consumer staples, manufacturing, and technology credits in corporates
 - ❖ Corporate earnings quality and financial situation still improving as our economy has been resilient given stresses from Europe
 - ❖ Exposure to corporates will continue to decrease with remaining issues from TLGP program maturing this year
- ❖ Continue invest in O/N and term repo for liquidity needed to meet distributions

DIVERSIFIED BOND FUND

Intermediate-Term Interest Rates

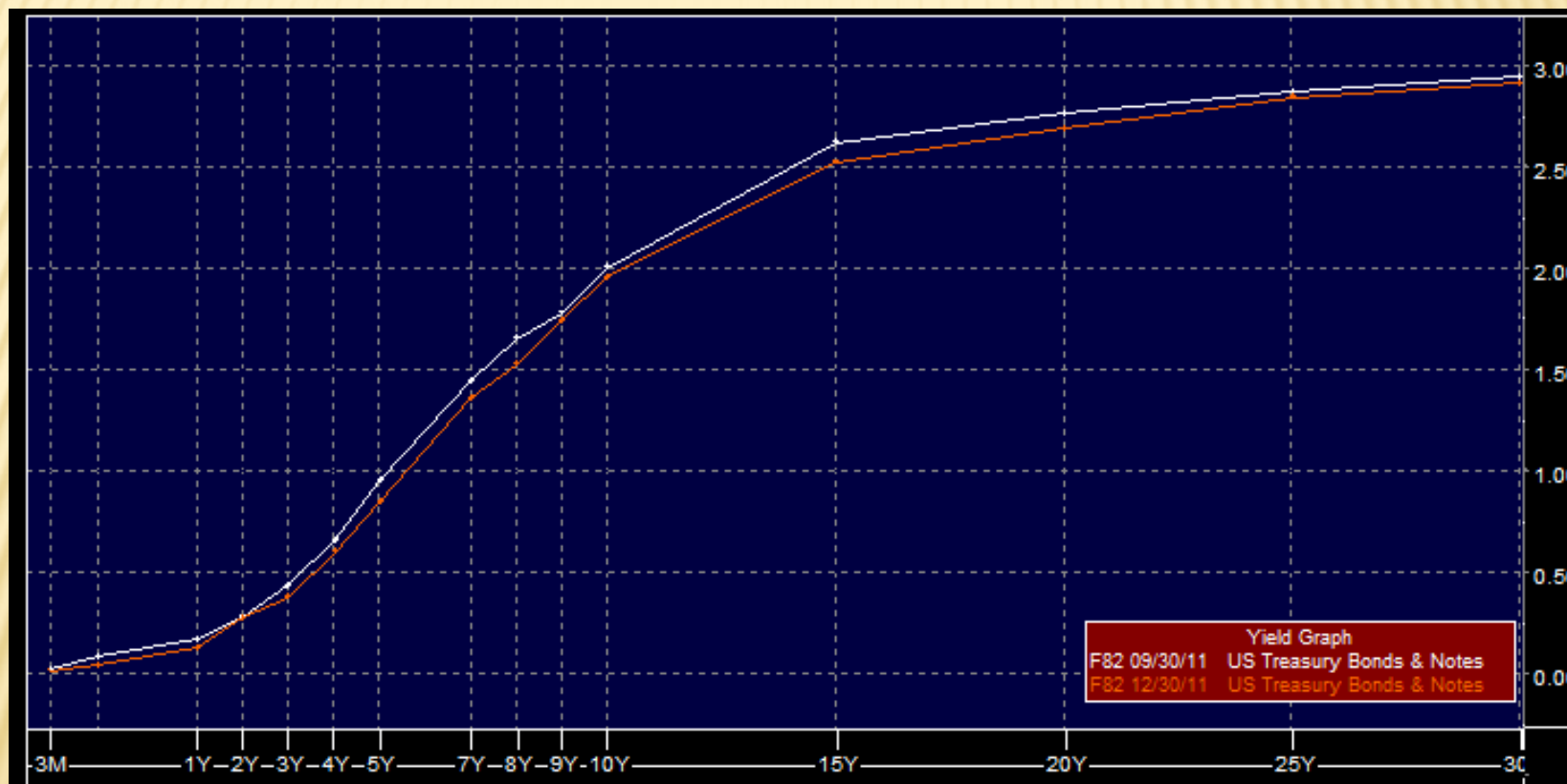
❖ Change in rates over the 4th Quarter

- 3 year: -5 bps
- 5 year: -12 bps
- 10 year: -4 bps

❖ Current Rates as of January 24, 2012

Term	Treasuries	Agencies
3 Year	0.38%	0.60%
5 Year	0.93%	1.24%
7 Year	1.49%	1.80%

YIELD CURVE

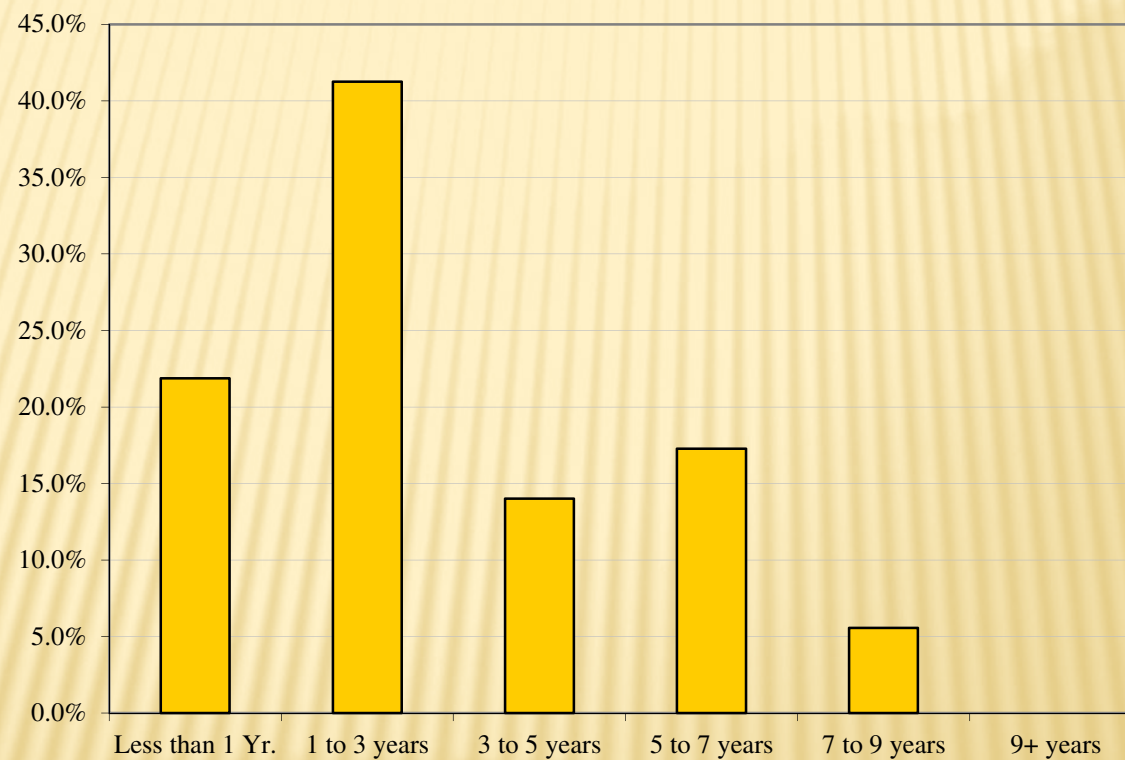


Source: Bloomberg

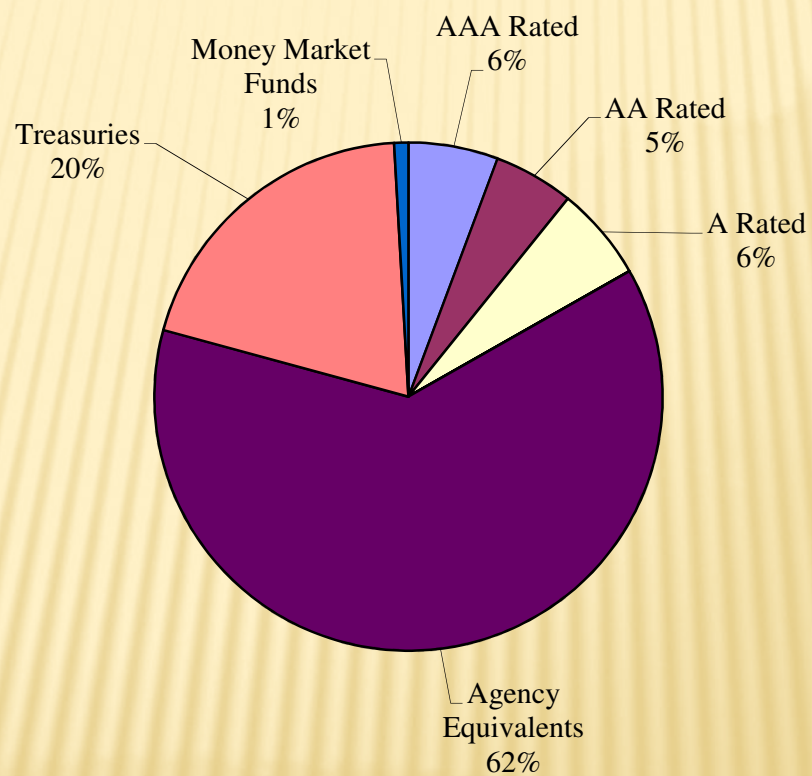
Diversified Bond Fund

DECEMBER 2011		
	DBF	Barclay's Cap. Int. Agg. A Or Better Index
Yield to Maturity	1.8%	1.7%
Weighted Average Maturity	4.1 years	4.2 years
Effective Duration	3.0 years	3.3 years
Amortized Book Value	\$519,621,556.31	
Market Value	\$545,014,915.52	

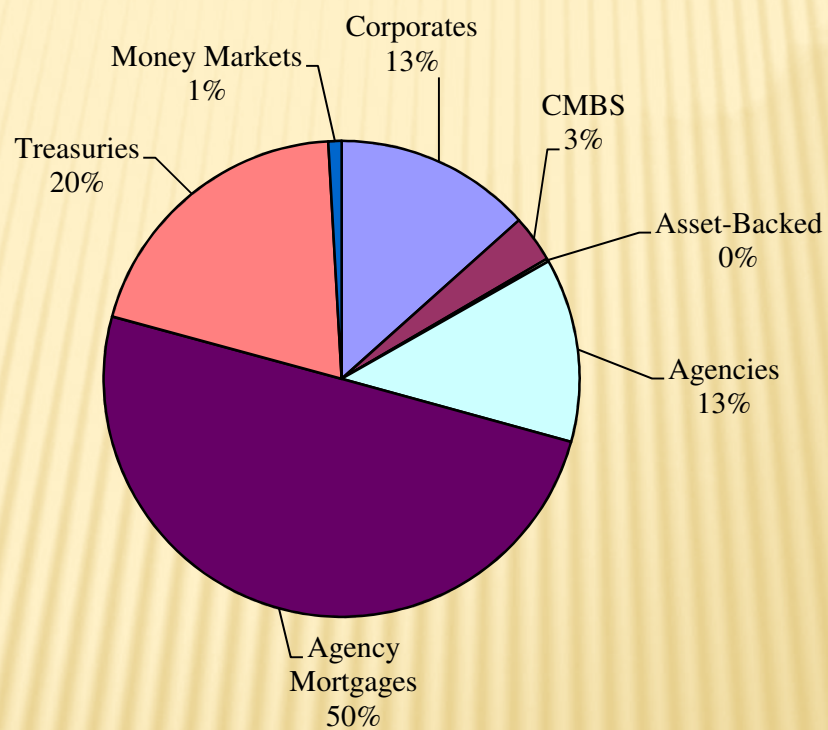
DBF DURATION DISTRIBUTION



DBF QUALITY DISTRIBUTION



DBF SECTOR DISTRIBUTION



PORTFOLIO STRATEGY

- ❖ Relative value likely to be more important than relative duration in the short-term.
- ❖ Maintain “conservative” stance both in quality/security selection and in regard to duration.
- ❖ Look for value in structured and floating rate securities.
- ❖ Particular focus on government and fed actions. Possible market abnormalities.

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